

# **PROJECTING AMERICAN LEADERSHIP**



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The age of possibility, about which the President has spoken, extends beyond American borders to the world at large. The end of the Cold War and the spread of democracy and free markets across the globe offer the promise of a safer, more prosperous world and a more secure America.

Nevertheless, the world is not without its dangers. Indeed, the Nation faces an international arena of unprecedented uncertainty, with new dangers that know no borders and that do not fit neatly into the convenient framework of the Cold War.

It is a world in which the line between foreign and domestic issues is increasingly blurred. With American standards of living increasingly dependent on how well our businesses compete overseas, what we do abroad matters a great deal for how well we live

at home. Put simply, retreat from the international arena is not an option for the United States.

On the diplomatic front, our leadership has helped ease tensions, end conflicts, and bring peace in Europe, the Middle East, North Korea, and elsewhere over the last three years. And through trade and overseas assistance programs, we are helping spur democracy, expand markets, promote our exports, and meet humanitarian needs.

When needed, we have called on our military forces—the world's strongest and best prepared—to promote our interests and sustain the peace. For 1997 and beyond, the budget would ensure that our forces remain ready and obtain the best military technology to continue to do their job.



### 3. ADVANCING UNITED STATES LEADERSHIP IN THE WORLD

*All over the world, even after the Cold War, people still look to us to help them seek the blessings of peace and freedom.... The United States can and should be the very best peacemaker.... By keeping our military strong, by using diplomacy where we can and force where we must, by working with others to share the risk and cost of our efforts, America is making a difference for people here and around the world.*

President Clinton  
January 1996

The budget provides the resources to support American diplomatic leadership in defending our interests and promoting democracy, free markets, and peace throughout the world.

The call and the opportunity for American leadership have never been greater. At a time when major threats to the United States are few, the opportunity to expand the reach of democracy and free markets is great. At the same time, new challenges to our well-being and to world peace have arisen—from regional, ethnic, and national conflicts; to the proliferation of weapons of mass destruction; to international terrorism and crime, narcotics trading, and environmental degradation.

In this environment, the United States is uniquely suited to lead. And, in this environment, the Nation must not foolishly, and shortsightedly, withdraw into isolationism and protectionism and deny ourselves the resources we require to provide that leadership.

The President proposes \$19.2 billion for international affairs, slightly over 1 percent of the budget and 0.25 percent of Gross Domestic Product. Nearly all industrialized countries spend a greater portion of their income on international activities.

As America engages overseas, we must first ensure that we promote and protect our interests in regions that are critical

to our security. Over the past three years, our achievements have been heartening.

#### **Spurring Foreign Policy Achievements**

Through skilled diplomacy, the judicious use of the world's finest military force, and the careful provision of foreign assistance, the United States has promoted peace and reduced threats to our security to a remarkable extent. Though problems obviously remain in the Middle East, the seemingly intractable hostility between Arabs and Israelis is giving way gradually to a recognition that the people of the region can benefit far more from cooperation than confrontation. We continue to lead in promoting the peace process, particularly between Syria and Israel.

In Europe, U.S. leadership in NATO proved critical in bringing an end to the longest and bloodiest conflict on that continent since World War II. American diplomacy, forces, and assistance programs are now offering hope to Bosnians and others in a region torn by struggle for over four years. Our decision to lead in ending this conflict has brought together a coalition of nations providing forces and assistance to the new Federation.

Nor is Bosnia the only American success in Europe. Though the peace process in Northern Ireland remains difficult, it has made more progress in the past two years than it has in decades—thanks, in part,

to our leadership in helping to bring the parties together.

In Central Europe, which was at the heart of the Cold War struggle, challenges continue on the road to democracy and free markets. Yet the amount of change, which our support and strong leadership helped to spur, is truly amazing. In many cases, Central European economies are free and largely privatized. Gradually, these countries—for example, Poland, the Czech Republic, and Hungary—are becoming strong U.S. trading and diplomatic partners and, along with some of Europe's other new democracies, are well on their way to integration with the transatlantic community.

While progress is slower in the New Independent States, U.S. relations with Russia are strong and vital; in that critical country, the United States has provided unwavering support for the movement to democracy and free markets. We also have new, strong partnerships with other key countries in the region, such as Ukraine.

In Asia, America created an international coalition to end the threat of nuclear proliferation in North Korea. The North Korean framework agreement continues to move forward with international assistance. We maintain a strong diplomatic and economic relation-

ship with Japan and are building a better, though complex, relationship with China.

In our own Western Hemisphere, we have also led the way in promoting democracy and healthy trade and investment relationships. Most notably, U.S. leadership restored democratic government and freedom to the people of Haiti, where the first peaceful transition from one elected president to another has just occurred.

### Promoting Our Security Objectives

The budget continues to support our Nation's critical security objectives.

The budget will provide funding for international security assistance, especially critical to the Middle East peace process, at \$5.8 billion (see Table 3-1). Of this amount, \$5.3 billion in military financing grants and economic support (about the same as in 1996) would help further the peace process.

In addition, the budget proposes to partly finance the cost of a squadron of F-16 aircraft to Jordan, in recognition of the risks that King Hussein is taking to advance the Middle East peace process. Separately, the Administration has requested funds in 1996 to initiate this important program.

The budget proposes to provide foreign military financing grants to our emerging partners in Central and Eastern Europe under

**Table 3-1. INTERNATIONAL DISCRETIONARY PROGRAMS**

(Budget authority, dollar amounts in millions)

	1993 Actual	1995 Actual	1996 Estimate <sup>1</sup>	1997 Proposed	Dollar Change: 1993 to 1997	Percent Change: 1993 to 1997
International development and humanitarian assistance .....	8,900	8,441	7,061	7,472	-1,428	-16%
International security assistance .....	6,148	5,670	5,915	5,828	-320	-5%
Conduct of foreign affairs .....	4,300	4,061	3,951	4,164	-136	-3%
Foreign information and exchange activities .....	1,247	1,421	1,115	1,162	-85	-7%
International financial programs .....	599	536	553	567	-32	-5%
<b>Total, International discretionary programs .....</b>	<b>21,194</b>	<b>20,129</b>	<b>18,595</b>	<b>19,193</b>	<b>-2,001</b>	<b>-9%</b>

<sup>1</sup> Includes Administration's proposed adjustments to 1996 continuing resolution levels.

the President's Partnership for Peace initiative, which would help these countries meet the conditions for membership in NATO. Economic support fund grants to countries such as Haiti and Cambodia are designed to help consolidate recent democratic gains in those countries.

The budget proposes to continue assistance to support the transition to democracy and free markets in Central Europe and the peace process in the Balkans. Specifically, it proposes \$475 million for assistance programs in the region. While the budget continues to phase down assistance to northern tier countries, it includes the second \$200 million installment toward economic reconstruction funding for Bosnia. The Administration has already requested the first installment of this program as a supplement to the 1996 budget.

Burden sharing is especially strong in this program; the United States is providing only 20 percent of the bilateral reconstruction assistance that Bosnia will receive. This aid would help restore municipal infrastructure that was severely damaged by the war, and would offer financing for small, private enterprises in order to rapidly boost employment. By 1997, the economic recovery that this aid should foster would permit a gradual phasedown in humanitarian aid.

U.S. assistance to the New Independent States of the former Soviet Union would continue at \$640 million. Given the potential for political and economic change in this region, legislative earmarking of the funds by country and activity is particularly inappropriate and may frustrate the achievement of objectives it is designed to reach.

### **Promoting Trade**

America's second major international goal is to promote an open trading system, which will contribute to U.S. economic prosperity. We have gone a long way toward laying the groundwork for sustained, non-inflationary growth into the next century, most notably with implementation of the North American Free Trade Agreement and the multilateral trade agreements concluded during the Uruguay Round. In addition, we have more closely integrated the Government's many

trade promotion activities through the Trade Promotion Coordinating Committee, creating synergy among agency trade programs, significantly improving American business' ability to win contracts overseas, and creating export-related jobs at home. Consequently, we expect the recent increases in U.S. exports to continue, leading to major U.S. economic and job gains.

The budget puts a high priority on programs that help U.S. exporters meet foreign competition and seize the opportunities that trade agreements offer.

The Trade and Development Agency makes grants for feasibility studies of capital projects abroad, and the Overseas Private Investment Corporation insures and finances U.S. investment in developing countries. The activities of both agencies are designed to help increase exports, and the budget holds 1997 funding levels close to or above the 1996 enacted level.

A larger source of support for exports is the Export-Import Bank, which offers loans, loan guarantees, and insurance for exports, primarily of capital goods. The budget maintains funding levels for the Bank's core export financing and insurance programs.

Finally, Commerce Department programs promote U.S. trade, especially through the International Trade Administration (ITA) and its U.S. Export Assistance Centers. The budget proposes a slight increase for the ITA, compared to 1996 funding levels.

Bilateral development assistance through the U.S. Agency for International Development (USAID) and contributions to the multilateral development banks (MDBs) also support U.S. exports. In the near term, development assistance promotes American exports by financing development projects abroad which import American goods (such as imports of American bulldozers to build a U.S.-financed road). In the longer term, dynamic economies in developing countries create strong commercial demand for U.S. exports (as illustrated by recipients of development aid in East Asia). For 1997, the budget proposes that USAID development assistance grow by four percent, to \$1.7 billion.

The budget proposes that U.S. contributions to the World Bank and the regional development banks grow to \$1.4 billion, a 24 percent increase over 1996. Congress cut the President's MDB budget request by 50 percent in 1996, reflecting a serious misunderstanding of how important MDBs are—they not only help the United States achieve its economic development and export promotion objectives, they also leverage our foreign assistance dollars through contributions from other donors.

When the World Bank, the first MDB, was established at the end of World War II, the United States provided nearly all of the international funding. Today, the average U.S. share of annual contributions to the MDBs is only slightly over 20 percent. Moreover, the MDBs, particularly the World Bank group, are coordinating multilateral and bilateral assistance programs and providing large-scale funding to countries and regions of critical importance to the United States—the Middle East, Bosnia, South Africa, the New Independent States, and Central and Eastern Europe.

### **Addressing New Threats**

The third goal of our international leadership is to address the new transnational threats to U.S. and global security and prosperity: the proliferation of weapons of mass destruction, drug trafficking and the spread of crime and terrorism on an international scale, unrestrained population growth, and environmental degradation.

U.S. diplomacy and law enforcement activities are playing a key role in preventing the spread of nuclear and other major destructive weapons, particularly to outlaw states like Libya, Iraq, and Iran. The Defense Department's Nunn-Lugar program and the State Department's Nonproliferation and Disarmament Fund are important parts of our commitment. (For additional information on the Nunn-Lugar program, see Chapter 4.)

U.S. bilateral assistance programs relate directly to solving other transnational problems. For example, assistance programs emphasize source-country approaches to the war on drugs. The budget proposes \$213 million for the State Department's narcotics and

anti-crime programs, nearly double the 1996 level. In addition, USAID carries out large and successful programs to improve the environment, and America is a recognized world leader in promoting safe and effective family planning projects. The budget requests over \$700 million to meet the needs in these two sectors.

The United States also plays a key leadership role as the world community addresses these problems. The United Nations and its related specialized agencies, such as the World Health Organization and the International Atomic Energy Agency (IAEA), are important mechanisms for such international cooperation. In some instances, such as the U.N.'s and IAEA's efforts to identify and destroy Iraq's weapons of mass destruction, international organizations prove an indispensable vehicle to help us achieve our national interests.

### **Meeting Our U.N. Commitments**

The United States has provided leadership to these international organizations for over 40 years. Today, that leadership is under attack, threatened by sharp cuts in appropriations for U.S. contributions to the organizations. For many of these institutions, member-country contributions are mandated by treaty; when America fails to meet its commitments, it accumulates arrears.

For the United Nations, related organizations, and peacekeeping, U.S. arrears have now grown to roughly \$1 billion. The Administration recognizes the need for serious reform in the United Nations and related organizations and is leading the effort. The budget seeks full funding for our current obligations to these institutions, as well as a down payment on clearing the arrears, linked to accomplishing needed reforms.

The United States also makes voluntary contributions to a variety of international organizations principally involved in development, population, and environmental programs, such as UNICEF, the U.N. Development Program, the U.N. Population Fund, and the program created under the Montreal Protocol to protect the ozone layer. Because our leadership is critical to the success of



these organizations, the budget proposes a 14 percent increase in funding.

**Providing Humanitarian Assistance**

Finally, humanitarian and disaster relief remains a major international need, especially in areas with regional conflict. The budget proposes \$1.7 billion to continue our global role, which has enjoyed bipartisan support, in providing American humanitarian relief for the victims of natural and man-made disasters.

Disaster relief programs in USAID and humanitarian feeding under Public Law 480 would continue slightly above 1996 spending levels. Funding for refugees would fall by three percent, to \$700 million, due to the end of the refugee problem in Southeast Asia and the expected return of several million refugees and displaced persons to their homes in Bosnia under the peace settlement. The budget proposes to keep large-scale assistance available for the continuing refugee needs in Africa and the Near East.